

Omaha, NE

First Victim of FCC Forbearance

SCOPE OF OMAHA FORBEARANCE

- Impacts 9 Central Offices
- 73% of the Business Locations in the Omaha Metro Area
- Impacts Loops and Local Transport
- No Differentiation between Residential and Small Business Markets

Before FCC Forbearance Order

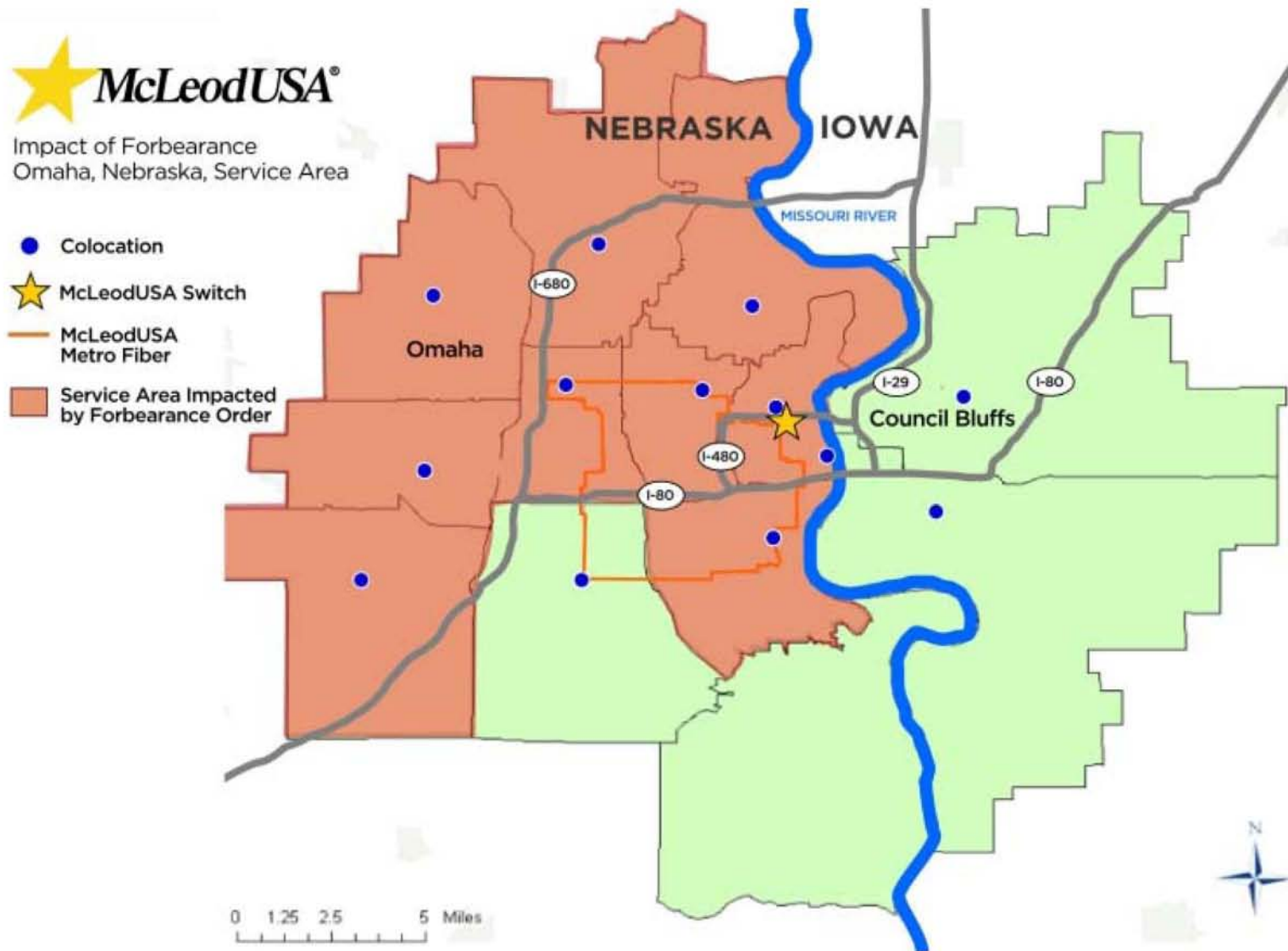


Impact of Forbearance
Omaha, Nebraska, Service Area

- Colocation
- ★ McLeodUSA Switch
- McLeodUSA Metro Fiber
- McLeodUSA Service Area Prior to Forbearance Order



After FCC Forbearance Order



The forbearance impacted wire centers account for 73% of the business locations in the Omaha metro area.

IMPACT ON LOOP AND TRANSPORT COSTS

- DS-0 Monthly Recurring: 30% Increase
- DS-1 Non-Recurring: 360% Increase
- DS-1 Monthly Recurring: 72% to 120%
- DS-3 Monthly Recurring: 117% to 178%

FCC RATIONALE ---Predictive Judgment

- “...we predict that Qwest will endeavor to maximize use of its ...network, providing services at retail and at wholesale, in order to minimize revenue defections to Cox’s service.”
- “Here, too, we predict that Qwest’s market incentives will prompt it to make its network available—at competitive rates and terms...”
- Most Office Buildings would have Multiple “Last Mile” Providers Reality: Much Less than 5%

FCC'S NEXT STEP ???

- “We thus reject arguments that our decision today will strand competitive carriers’ investments by denying those competitors the opportunity to use their own facilities in conjunction with Qwest facilities that cannot be economically duplicated.”
- “We will monitor the accuracy of this prediction in the wake of our decision; in the event it proves too optimistic, we will take appropriate action.”

MARKETS TARGETED FOR FORBEARANCE

States Served by PAETEC (Green) & McLEODUSA (Orange) Networks